

## Message Text

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ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EB-03 INR-05 SP-02 L-01 XMB-01

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 1434

C O N F I D E N T I A L KINSHASA 1576

LIMDIS

PASS EXIM

E.O. 11652: GDS

TAGS: EFIN, CG

SUBJECT: ZAIRE'S FINANCIAL CRISIS: THE SHORT TERM

REF: KINSHASA 1414

1. IT IS IMPORTANT TO RECALL THAT REFTEL'S ESTIMATE OF ANNUAL FOREIGN EXCHANGE DEFICIT FOR 1975 AND OTHER REPORTINGS MENTION OF AVERAGE MONTHLY FOREIGN EXCHANGE RECEIPTS DO NOT REFLECT SHORT-TERM REALITY. ZAIRE'S MONTHLY FOREIGN EXCHANGE INCOME IS NOT ONE-TWELFTH OF ANNUAL RECEIPTS, AND MONTHLY EXPENDITURES ARE NOT ONE-TWELFTH OF PROJECTED ANNUAL FOREIGN EXCHANGE BILL. ON RECEIPT SIDE, MONTHLY EARNINGS ARE AFFECTED BY CROP CYCLE AS WELL AS MINERAL PRODUCTION/SALES RHYTHM. IN ADDITION, GOZ CURRENTLY RECEIVES ONLY ADVANCE ON SHIPMENTS OF MINERALS IN AMOUNT OF 35 PERCENT OF TOTAL VALUE, BASED ON AVERAGE PREVIOUS TWO MONTHS PRICE, WITH REMAINDER COMING IN WHEN SGM CONSUMATES SALE. GOZ APPROACHED SGM TO INCREASE AMOUNT OF ADVANCE TO 70 PERCENT, BUT WHEN INFORMED OF INTEREST CHARGE FOR SUCH SHORT-TERM MONEY, GOZ DID NOT PURSUE.

2. EXPENDITURES TAKE PLACE, OF COURSE, ON ENTIRELY  
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DIFFERENT SCHEDULE, AND WHATEVER IMPORT REDUCTION PROGRAM

GOZ ATTEMPTS--OR IS FORCED TO UNDERGO BY CURRENT CREDIT CUT-OFF--ZAIRE MUST PAY OVER FIRST HALF 1975 FOR BILLS INCURRED DURING LAST HALF OF 1974. AND IT IS THIS FACT THAT HAS LED ZAIRE TO CURRENT INSOLVENCY. BARRING BLANK CHECK FROM SOME LAST MINUTE SAVIOR, THERE IS NO APPARENT WAY IN NEXT SIX MONTHS THAT GOZ CAN PAY OFF ITS CURRENT BILLS FOR GOODS ALREADY RECEIVED OR ON THE WAY, MAKE ITS LONG-TERM DEBT SERVICE PAYMENT TO SAY NOTHING OF MEDIUM TERM SUPPLIER CREDITS ABOUT WHICH WE KNOW LITTLE BUT FEAR THE WORST, EFFECT REGULAR PAYMENTS ON SERVICES AND TRANSFER ACCOUNTS--AND CONTINUE TO IMPORT EVEN THE MOST BASIC ESSENTIALS NEEDED TO KEEP ECONOMY ALIVE.

3. OR SO WE BELIEVE. STATISTICS FORWARDED UNDER COVER OF A-30 SHOW OUTSTANDING CONTINGENT FOREIGN EXCHANGE LIABILITIES OF THE BANKING SYSTEM AS OF NOVEMBER 1974 AT Z272.6 MILLION FOR SIGHT LETTERS OF CREDIT AND AT Z205.7 MILLION FOR LETTERS OF CREDIT WITH UP TO 180 DAYS DEFERRED PAYMENT TERMS. THESE FIGURES JIBE WITH WHAT SEVERAL LOCAL BANKERS HAVE TOLD US TO EFFECT THAT COMMERCIAL BANKS HAVE COMBINED "UNCOVERED" FOREIGN LIABILITIES FOR IMPORTS ALREADY RECEIVED, ON THE HIGH SEAS OR ON ORDER TO THE TUNE OF Z250-Z300 MILLION. FOR WHAT IT IS WORTH, EYE-WITNESS REPORTS TALK OF MATADI PORT BULGING AT THE SEAMS. UP TO 1500 NEWLY ARRIVED PASSENGER VEHICLES, FOR EXAMPLE, ARE SAID TO BE PARKED IN STREETS OF MATADI FOR LACK OF SPACE AT PORT. STORES IN KINSHASA, WITH SOME EXCEPTIONS, ARE STILL FULL OF HIGH-PRICED GOODIES. PROBLEM IS ZAIRE NEEDS ENOUGH FOREIGN EXCHANGE, WHICH IT DOESN'T HAVE, FOR CURRENT PETROLEUM IMPORTS, FERTILIZER, KEY SPARE PARTS AND WHEAT AMONG OTHER ESSENTIALS.

4. IF SHORT-TERM CREDIT OVERHANG IS AS LARGE AS DESCRIBED PARA 3 ABOVE, NOT ONLY CURRENT PAYMENTS CANNOT BE MET, BUT ANNUAL DEFICIT PROJECTED REFTEL MAY PROVE TO BE DRASTICALLY LOW. FOR EXAMPLE, TO KEEP TOTAL ANNUAL DEFICIT WITHIN RANGE OF Z76.6 MILLION PROJECTED, NEW IMPORTS THROUGH REST OF YEAR, PAYABLE IN LAST HALF, WOULD HAVE TO BE REDUCED BY OVER 70 PERCENT FROM LAST HALF 1974 LEVEL. PROBABLY IMPOSSIBLE. LITTLE WONDER MOBUTU'S EMISSARIES ARE OFF  
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TO THE FOUR CORNERS OF THE NON-ALIGNED WORLD LOOKING FOR CASH.  
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## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01 JAN 1994  
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**Decaption Date:** 28 MAY 2004  
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